

Message Text

UNCLASSIFIED

PAGE 01 MADRID 01354 281617Z

67

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SPC-03 SAM-01 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 AGR-20 DRC-01 /164 W

----- 068443

R 281500Z FEB 74

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 8241

UNCLAS MADRID 1354

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR ETRD SP

SUBJ: HIGHER PRICES FOR AGRICULTURAL PRODUCTS AND
SPAIN'S AGRICULTURAL TRADE DEFICIT

1. DESPITE THE MARKED RISE IN PRICE OF MAJOR IMPORT
PRODUCTS-SOYBEANS AND CORN, AGRICULTURAL TRADE DEFICIT
(INCLUDING HIDES, COTTON, ETC.) IS ESTIMATED AT \$374
MILLION IN 1973, COMPARED WITH \$261 MILLION IN 1972.
HIGHER VALUES FOR SPAIN'S AGRICULTURAL EXPORTS HELPED
OFFSET THE 45 PERCENT JUMP IN THE TOTAL AGRICULTURAL
IMPORT BILL TO \$1.9 BILLION IN 1973, COMPARED WITH \$1.3
BILLION IN 1972. PROSPECTS FOR 1974 POINT TO FURTHER IN-
CREASES IN IMPORT COMMODITY VALUES ALTHOUGH PROBABLY NOT AS
SPECTACULAR AS IN 1973. NOTABLE EXCEPTIONS WHERE HIGHER
PRICES WILL BE PRONOUNCED ARE FOR COTTON AND CORN. MOST OF
THE COTTON PURCHASED IN 1973 WERE MADE BEFORE THE PRICE
RUN-UP AND U.S. CORN PRICES ARE NOW PUSHING \$3.20 PER
BUSHEL, COMPARED WITH AN AVERAGE FOB COST TO SPAIN OF
\$2.27 IN 1973.

2. THE AGRICULTURAL TRADE DEFICIT WITH THE UNITED
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MADRID 01354 281617Z

STATES, HOWEVER, DID ACCOUNT FOR A SIGNIFICANT SHARE

OF THE TOTAL DEFICIT WITH THE UNITED STATES- \$380 MILLION OUT OF \$826 MILLION. BASED ON U.S. DATA, TOTAL FARM EXPORTS TO SPAIN REACHED A RECORD \$462 MILLION IN 1973, COMPARED WITH \$300 MILLION IN 1972. (PRIOR TO 1972 THE LEVEL HAD NEVER EXCEEDED \$200 MILLION). THE LEVEL OF EXPORTS IN 1973 WAS BOOSTED BY HIGHER PRICES AND SIGNIFICANTLY EXPANDED SALES OF CORN, COTTON AND SOYBEAN MEAL. EXPORTS OF SOYBEANS, TALLOW, HIDES AND PULSES ALL DECLINED SHARPLY IN VOLUME AS A RESULT OF TIGHT SUPPLIES AND HIGH PRICES. SOYBEAN SALES WERE ALSO ADVERSELY AFFECTED BY GOS INTERVENTION IN THE MARKET WHICH RESULTED IN CRUSHERS NOT HAVING MADE FORWARD PURCHASES AT THE TIME U.S. EXPORT CONTROLS WERE IMPOSED. LATER ATTEMPTS BY GOS TO RECTIFY THIS SITUATION THROUGH PURCHASE OF U.S. SOYBEAN MEAL PROVED COSTLY.

3. ON THE OTHER SIDE OF THE LEDGER, U.S. IMPORTS OF FARM PRODUCTS FROM SPAIN DECLINED IN VOLUME BUT INCREASED 22 PERCENT IN TOTAL VALUE. THIS REFLECTS HIGHER PRICES FOR THE MAJOR EXPORT ITEMS- CANNED OLIVES, WINE, OLIVE OIL AND CANNED TOMATOE PRODUCTS. ON A VOLUME BASIS THERE WAS A SIGNIFICANT DECLINE IN SHIPMENTS OF CANNED VEGETABLES AND A FURTHER INCREASE IN EXPORTS OF WINE TO THE UNITED STATES. EXPORTS OF GRAPE JUICE JUMPED SHARPLY BUT THIS IS BELIEVED TO BE A TEMPORARY GAIN RESULTING FROM A CROP FAILURE IN THE UNITED STATES.

4. WHILE SPANISH AGRICULTURE HAS TO SOME EXTENT BEEN INSULATED FROM THE SHARP CHANGES IN WORLD PRICES THROUGH VARIOUS IMPORT CONTROL MEASURES AND SUBSIDIES, THE RISE IN FEED PRICES IN 1973 DID HAVE A CONSIDERABLE IMPACT ON THE COST OF LIVING-WHICH INCREASED 14 PERCENT IN 1973. EFFORTS TO STEM THE INFLATIONARY TIDE LED TO INCREASED GOVERNMENT INTERVENTION IN TRADE AND MARKET PRICING. IMPORT DUTIES WERE REDUCED ON SOME ITEMS AND EXPORT CONTROLS WERE APPLIED TO OLIVE OIL AND RICE. SUBSTANTIAL IMPORTS OF FEEDGRAINS, PROTEIN MEALS AND VEGETABLE OILS WERE MADE BY GOVERNMENT AGENCIES IN AN EFFORT TO RESTRAIN PRICE INCREASES. INCREASED SUBSIDIES WERE REQUIRED TO MAINTAIN RETAIL CEILING PRICES IN THESE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MADRID 01354 281617Z

COMMODITIES AND TEMPORARY SCARCITIES HAVE BEEN REPORTED FOR SOME ITEMS, NOTABLY VEGETABLE OILS (UNITED STATES SUPPLIED 5,000 TONS SOY OIL TO SPAIN, THE FIRST SUCH EXPORT SINCE 1968) AS TRADERS WITHHELD SUPPLIES IN ANTICIPATION OF HIGHER AUTHORIZED CEILING PRICES.

5. PROSPECTS FOR 1974 POINT TO A CONTINUED HIGH LEVEL OF IMPORT DEMAND PARTICULARLY IN THE FIRST HALF WHEN

LARGE CORN IMPORTS ARE EXPECTED AND SOYBEAN CRUSHERS RETURN TO NORMAL OPERATING LEVELS. IF CURRENT FAVORABLE CROP PROSPECTS MATERIALIZE IN LARGER HARVESTS THIS SUMMER AND FALL, IMPORT REQUIREMENTS FOR SOME PRODUCTS, INCLUDING FEEDGRAINS, SHOULD SLACKEN IN THE SECOND HALF OF THE YEAR. ON THE EXPORT SIDE PROSPECTS ARE DAMPENED BY CURRENT DIFFICULTIES IN MARKETING THE CITRUS CROP, EXPORT QUOTAS ON OLIVE OIL AND DIFFICULTIES IN MAINTAINING COMPETITIVE PRICES FOR SOME PRODUCTS IN THE FACE OF EVER RISING COSTS. THUS THE AGRICULTURAL TRADE BALANCE IS LIKELY TO SHOW FURTHER DETERIORATION IN 1974 CONTINUING THE INCREASING TREND IN THIS DIRECTION OF THE PAST THREE YEARS. HOWEVER, IT SHOULD BE NOTED THAT THE TOTAL TRADE DEFICIT IN 1973 WAS \$4.4 BILLION AND THAT TOTAL RESERVE HOLDINGS INCREASED TO A RECORD \$6.8 BILLION DESPITE THE WORSENING TRADE DEFICIT.

RIVERO

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURE, TRADE BALANCE, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MADRID01354
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974023/aaaaacje.tel
Line Count: 132
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 28 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 FEB 2002 by elbezefj>; APPROVED <03 DEC 2002 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HIGHER PRICES FOR AGRICULTURAL PRODUCTS AND SPAIN'S AGRICULTURAL TRADE DEFICIT
TAGS: EAGR, ETRD, SP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005